

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
A COMPONENT UNIT OF THE COUNTY OF MCINTOSH
EUFAULA, OKLAHOMA
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

**Audited By:
KERRY JOHN PATTEN, C.P.A.**

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
JUNE 30, 2021**

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**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
TRUSTEES
JUNE 30, 2021**

Chairman

Bill Phillips

Vice-Chairman

Winfred Chiles

County Clerk

Deena Farrow

Member

Kevin Ledbetter

Member

Ernie Moore

KERRY JOHN PATTEN, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
McIntosh County Public Facilities Authority
Eufaula, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of McIntosh County Public Facilities Authority, (The "Authority") a component of the County of McIntosh, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise The Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the business-type activities of the McIntosh County Public Facilities Authority as of June 30, 2021, and the respective changes in financial position and cash flows thereof in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and Budgetary Comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 3, 2023, on my consideration of McIntosh County Public Facilities Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

A handwritten signature in black ink, appearing to read "Kerry John Patten", with a stylized flourish at the end.

Kerry John Patten, C.P.A.
Broken Arrow, OK
May 3, 2023

BASIC FINANCIAL STATEMENTS

MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
A Component Unit of the County of McIntosh, Oklahoma
STATEMENT NET POSITION
JUNE 30, 2021

ASSETS

Current Assets	
Unrestricted cash	\$ 898,628
Restricted cash	784,607
Sales tax receivable	195,738
Total Current Assets	<u>1,878,973</u>
Noncurrent Assets	
Land	82,423
Capital Assets, Net of depreciation	5,857,946
Total Noncurrent Assets	<u>5,940,369</u>
Net OPEB Asset	841
Total Assets	<u>\$ 7,820,183</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	\$ 260,169
Deferred outflows of resources related to OPEB	9,947
Total deferred outflow of resources	<u>\$ 270,116</u>

LIABILITIES

Current Liabilities	
Accounts payable	\$ -
Interest payable	-
Current portion of Long Term Liabilities	
Revenue bonds payable	785,000
Total Current Liabilities	<u>785,000</u>
Noncurrent Liabilities	
Revenue bonds payable	-
Net pension liability	281,054
Total Noncurrent Liabilities	<u>281,054</u>
Total Liabilities	<u>\$ 1,066,054</u>

DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources related to pensions	\$ 16,789
Deferred inflow of resources related to OPEB	12,309
Total deferred inflow of resources	<u>\$ 29,098</u>

NET POSITION

Net investment in capital assets	\$ 5,155,369
Restricted	784,607
Unrestricted	<u>1,055,171</u>
Total Net Position	<u>\$ 6,995,147</u>

The notes to the financial statements are an integral part of this statement.

MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
A Component Unit of the County of McIntosh, Oklahoma
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR YEAR ENDING JUNE 30, 2021

Operating Revenues

Sales Tax	\$ 2,362,867
COVID Relief	486,131
Rents	7,686
Miscellaneous	<u>-</u>
Total Operating Revenues	<u>2,856,684</u>

Operating Expenses

Personnel	1,025,600
Maintenance and Operation	214,446
Financial Administration	2,500
Capital Outlay	2,512
Depreciation Expense	<u>188,966</u>
Total Operating Expenditures	<u>1,434,024</u>
Income (Loss) from operations	<u>1,422,660</u>

Non-Operating Revenue (Expenses)

Investment Interest	1,626
Interest Expense	<u>(32,854)</u>
Total Non-Operating Revenue (Expense)	<u>(31,228)</u>

Change in Net Position	1,391,432
Net Position-Beginning of Year as restated	<u>5,603,715</u>
Net Position-End of Year	<u>\$ 6,995,147</u>

The notes to the financial statements are an integral part of this statement.

MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
A Component Unit of the County of McIntosh, Oklahoma
STATEMENT OF CASH FLOWS
FOR YEAR ENDING JUNE 30, 2021

Cash Flows from Operating Activities

Cash received for sales tax	\$ 2,369,916
Cash received from COVID Relief	486,131
Cash received from rents	7,686
Cash payments for operating expenses	(1,266,252)
Cash payments for admin fees	<u>(2,500)</u>
Net cash provided by (used for) operating activities	<u>1,594,981</u>

Cash Flows from Financing Activities

Proceeds from Bonds	-
Principal paid on debt	(755,000)
Cash paid on debt defeasance	-
Interest paid	<u>(40,575)</u>
Net cash provided by (used for) financing activities	<u>(795,575)</u>

Cash Flows from Investing Activities

Interest Received	<u>1,626</u>
Net cash provided by (used for) investing activities	<u>1,626</u>

Net Increase (Decrease) in Cash and Cash Equivalents 801,032

Cash, July 1, 2020 421,941

Cash, June 30, 2021 \$ 1,222,973

Reconciliation of Operating Income (Loss) to

Net Cash Used by Operating Activities	
Operating income (loss)	\$ 1,422,660

Adjustments to reconcile operating income (loss) to
net cash used by operating activities:

Decrease in Accounts Receivable	7,049
Decrease in Accounts Payable	(197)
Decrease in Pension & OPEB Expense	(23,497)
Depreciation Expense	<u>188,966</u>

Net cash provided by operating activities \$ 1,594,981

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

1. Organization

A. Creation of Trust

The McIntosh County Public Facilities Authority was created under the statutory provision of 60 O.S. 2001, Sections 176-180.4, inclusive, as amended, pursuant to the provisions of a declaration of trust dated as of October 30, 1968, as amended, and the Oklahoma Trust Act for the use and benefit of McIntosh County, Oklahoma. The purpose of the Authority is to assist McIntosh County, Governmental Agencies and private entities in making the most efficient use of all their economic resources and powers to stimulate economic growth and development.

The trustees of the Authority consist of five (5) persons, who shall include the current chairman of the McIntosh Board of County Commissioners; the current sheriff of McIntosh County, Oklahoma, or his/her designee; and three (3) residents of McIntosh County, Oklahoma, none of which shall be elected officials, and one of which shall be nominated to serve by the current McIntosh County Commissioners.

The County Clerk of McIntosh County serves as Secretary-Treasurer of the Authority.

The Authority has adopted the period July 1 through June 30, as its fiscal year.

2. Summary of Significant Accounting Policies

A. Component Unit

The Authority is a component unit of McIntosh County, Oklahoma. A component unit includes a legal entity that is a separate governmental organization but has the same board of trustees as the primary government

B. Basis of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, revenues, and expenses.

Proprietary Funds

Proprietary funds are made up of either Enterprise or Internal Service funds. The Authority operates the Enterprise fund.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

C. Basis of Accounting

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

Summary of Significant Accounting Policies (continued)

The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

D. Measurement Focus

The financial statements of the Authority have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. The Authority first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Cash

Cash is defined to include demand deposits, cash with trustees, and highly liquid investments with original maturities of three months or less.

F. Capital Assets

These assets are recorded at cost and depreciated over a useful life of the assets on a straight-line depreciation basis. Maintenance and repairs are expensed when incurred.

G. Income Taxes

With regards to federal income taxes, the Authority is nontaxable as a political subdivision under Section 115(1) of the Internal Revenue Code, as amended.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from estimates.

3. Net Position

The statement of net position displays the Authority's assets and liabilities with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints are placed on net position use are either externally imposed or imposed through enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the proceeding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

Net Position (continued)

The note indenture for the public facilities Sales Tax Revenue Note provides that certain reserve accounts be established. The reserve accounts, as of June 30, 2021, are comprised of restricted net position as follows:

Gross Revenue Fund	\$	762,039
Debt Service Reserve		-
Note Principal Fund		<u>22,568</u>
Total Restricted Net Position	\$	<u>784,607</u>

Interest earned on the Debt Service Reserve fund is transferred to the Note Interest Fund.

The debt service reserve account has been capitalized in a minimum of \$600,000, and that amount shall be maintained until final payment on the note.

The Gross Revenue Fund receives transfers of sales taxes collected on its behalf by the county. Use taxes are collected by the county on the Authority's behalf, but these are not transferred over to Authority, but expended by the county.

4. Deposits, Investments, and Collateral

As of June 30, 2021, unrestricted cash balance is a part of McIntosh County's pooled cash account. Cash balances of McIntosh County are either insured or collateralized. All restricted cash balances were either on deposit with the trustee bank or covered with pledge collateral.

Deposits and Investments – The Authority does not have a written investment policy.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a written policy for custodial risk; however, Oklahoma state laws require collateral for all uninsured deposits of public funds in financial institutions. As of June 30, 2021, none of the Authority's bank balances were exposed to custodial credit risk.

5. Accounts Receivable

The Authorities receivables consist of sales taxes collected by the State and passed-through the County.

6. Fixed Assets

The Authority is maintaining records of historical costs of its general fixed assets. Generally Accepted Accounting Principles in the U.S. require the capitalization of all fixed assets and the recognition of depreciation on the fixed assets.

Fixed Assets (continued)

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Business-Type activities:				
Capital assets, not being depreciated:				
Land	\$ 82,423	\$ -	\$ -	\$ 82,423
Total Capital assets, not being depreciated:	82,423	-	-	82,423
Capital assets being depreciated:				
Jail Facility	7,558,640	-	-	7,558,640
Total capital assets being depreciated:	7,558,640	-	-	7,558,640
Less accumulated depreciation:	(1,511,728)	(188,966)	-	(1,700,694)
Total capital assets being depreciated, Net of depreciation	6,046,912	(188,966)	-	5,857,946
Total all business-type activities capital assets, net	\$ 6,129,335	\$ (188,966)	\$ -	\$ 5,940,369

Jail Facility	40 years
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The Authority is exposed to various risks of loss related to theft of, damage to, or destruction of assets. Management utilizes commercial insurance as a method of managing these types of losses and believes such coverage is sufficient to preclude any significant uninsured losses to the Authority.

The Authority is not required to prepare a formal budget by Oklahoma law.

The Authority is dependent on McIntosh County for a large portion of its operating revenues.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

10. Note Indenture

During FY 2019-20, the Authority issued \$2,080,000 in Sales Tax Revenue Bonds, series 2019 with an interest rate of 3% to assist in advance refunding \$4,436,196 of outstanding series 2006 Sales Tax Revenue bonds and to pay all cost of issuance. The outstanding balance as of June 30, 2021 is \$785,000.

The Sales Tax Revenue Note is secured by sales tax revenue levied and collected by McIntosh County and paid over to the Authority. The Authority has created a security interest in the sales tax revenue which has been assigned to the bank serving as trustee of the note indenture.

11. Lease Agreement

The Authority entered into a facilities lease and operation agreement on June 1, 2006, with McIntosh County, Oklahoma to lease a new county detention facility to the county. Under provisions of the agreement, the county must pay rent annually to the trustee of the Authority's Sales Tax Revenue Note dated May 1, 2019, and must cover a portion of the costs of operation of the new county detention facility for all the years the Sales Tax Revenue Note remains outstanding.

12. Sales Tax Agreement

On May 9, 2006, the electors of McIntosh County approved a proposition authorizing levying a county sales tax of $\frac{1}{2}$ (.50) of 1 cent upon the gross proceeds derived from all sales for the retirement of indebtedness of the McIntosh County Detention Facility and payment of operation and maintenance expenses related there to.

$\frac{3}{8}$ of 1 cent of such sales tax is obligated for the retirement of indebtedness of the county detention facility and shall have a limited duration of twenty years or until principle and interest of the facility is paid in full. The remaining $\frac{1}{8}$ of 1 cent of such sales tax is obligated for obligation and maintenance expenses of the county detention facility with unlimited duration.

On June 5, 2006, the county authorized the implementation of a use tax at a rate equaling $\frac{1}{2}$ of 1 cent, with proceeds to be used to acquire, construct, equip, and operate a new county detention facility.

On January 1, 2012, the tax payers approved an additional sales and use tax. $\frac{1}{8}$ cent portion of such a sales tax is pledged to retirement of indebtedness and limited to a duration of 15 years (ending on December 31, 2026) and the remaining $\frac{3}{8}$ cents to have an unlimited duration and to pay cost of operating and maintaining the McIntosh County Detention Facilities.

On June 11, 2018, the Use Tax was transferred to McIntosh County.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

13. General Long-Term Debt

A schedule of changes in the Authority's long-term debt for 2021 is as follows:

	Balance June 30, 2020	Additions	Reductions	Balance	Due Within One Year
Series 2019 Revenue Bonds	\$ 1,540,000		755,000	\$ 785,000	\$ 785,000
	\$ 1,540,000		755,000	\$ 785,000	\$ 785,000

The following maturity schedule reflects outstanding principal amounts at June 30, 2021:

Year Ending June 30,	Annual Payments
2022	\$ 785,000
Total	\$ 785,000

14. Employee Retirement System

The Authority participates in the Oklahoma Public Employees Retirement Plan, a cost-sharing, multi-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. The Authority has no responsibility or authority for the operation or administration of the system.

OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained online at www.opers.ok.gov or by calling 405-858-6737.

The contribution rate for the Authority is established by statute. The Authority is required to contribute 11.5% - 16.5% and the employee is required to contribute 3.5% - 8.5%. The total employer and employee contribution must equal 20% for the year ended June 30, 2021. The Authority is responsible for determining how much the employer and employee pays with the given range. Currently the Authority pays 15% and the employee pays 5%.

The Authority's contributions to the Plan for the years ending June 30, 2021, 2020, and 2019, were \$135,247, \$84,185, and \$49,398.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

Employee Retirement System (continued)

The Net Pension Liability of \$81,054 was measured as of June 30, 2020, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2020. Each employer's portion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,536
Changes of assumptions	100,390	-
Net difference between projected and actual earnings on pension plan investments	33,396	-
Differences in Authority's proportionate share of contributions and changes in proportion	-	1,146
System contributions during measurement date	-	14,107
Authority contributions subsequent to the measurement date	<u>126,383</u>	<u>-</u>
Total	\$ <u><u>260,169</u></u>	\$ <u><u>16,789</u></u>

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

Employee Retirement System (continued)

The \$126,383 reported as deferred outflows of resources related from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pension liability will be expensed as follows;

Year ended June 30:

2022	\$	40,212
2023		42,029
2024		20,537
2025		14,219
2026		-
Thereafter		-
Total	\$	<u>116,997</u>

Actuarial Assumptions

The total pension liability was determined based on an actuarial valuation prepared as of July 1, 2020, using the following actuarial assumptions:

- Investment return – 6.50% for 2020 compounded annually net of investment expense and including inflation.
- Salary increases – 3.5% to 9.25% per year including inflation.
- Mortality rates – In 2020, Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale MP-2019. Male rates are et back one year, and female rates are set forward one year.
- No annual post-retirement benefit increases.
- Assumed inflation rate – 2.50% for 2020.
- Payroll growth – 3.5% for 2020.
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

The actuarial assumptions used in the July 1, 2020 valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2019. The experience study report is dated May 13, 2020. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which the best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class as used in the June 30, 2019 experience study are summarized in the following table.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

Employee Retirement System (continued)

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	34.0%	4.7%
U.S. Small Cap Equity	6.0%	5.8%
Int's Development Equity	23.0%	6.5%
Emerging Market Equity	5.0%	8.5%
Core Fixed Income	25.0%	0.5%
Long Term Treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 6.50% for 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from System members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current System members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the employer calculated using the discount rate of 6.50%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
Authority's proportionate share of the net pension liability	\$ <u>661,626</u>	\$ <u>281,054</u>	\$ <u>(40,524)</u>

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

15. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan description - The Authority as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Public Employees Retirement System (OPERS). The authority to establish and amend benefit provisions rests with the State Legislature. OPERS issues a publicly available financial report that can be obtained at www.ok.gov/OPERS.

Benefits provided - OPERS pays a medical insurance supplement to eligible members who elect to maintain health insurance with the Oklahoma Employees Group Insurance Division (EGID) or other qualified insurance plan provided by the employer. This subsidy continues until the retiree terminates health insurance coverage with EGID or other qualified plan, or until death. The subsidy is only for the retiree, not joint annuitants or beneficiaries. The supplement payment is capped at \$105 per month per retiree, remitted to the Oklahoma Employees Group Insurance Division (EGID).

Contributions - The contribution rates for each member category of the System are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. An actuarially determined portion of the total contributions to the System are set aside to finance the cost of the benefits of the HISP in accordance with provisions of the Internal Revenue Code. Based on the contribution requirements of the plan employers and employees contribute a single amount based on a single contribution rate as described in Note 14; from this amount OPERS allocates a portion of the contributions to the supplemental health insurance program. Contributions allocated to the OPEB plan from the Authority were \$8,864.

OPEB Liabilities(Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2021, the Authority reported \$841 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2020. The Authority's proportion of the net OPEB asset was based on the Authority's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2020. Based upon this information, the Authority's proportion was .0292 percent.

For the year ended June 30, 2021, the Authority recognized OPEB expense of \$419. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 712
Changes of assumptions	297	-
Net difference between projected and actual earnings on OPEB plan investments	128	-
Changes in proportionate share of contributions	372	4,653
Contributions during the measurement period	286	6,944
Contributions subsequent to the measurement date	8,864	-
Total	<u>\$ 9,947</u>	<u>\$ 12,309</u>

The \$8,864 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$ (4,728)
2023	(3,827)
2024	(3,402)
2025	(109)
2026	840
Thereafter	-
Total	<u>\$ (11,226)</u>

Actuarial Assumptions- The total OPEB liability (asset) as of June 30, 2020, was determined using the following actuarial assumptions:

- Investment return – 6.50% for 2020 compounded annually net of investment expense and including inflation.
- Salary increases – 3.5% to 9.25% for 2020.
- Mortality rates – In 2020, Pub-2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates project to 2030 using Scale MP-2019. Male rates are set back one year, and female rates are set forward one year.
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.50% for 2020
- Payroll growth – 3.25% for 2020
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years.
- Health Care Trend Rate -- Not applicable based on how the System is structured and benefit payments are made.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

The actuarial assumptions used in the July 1, 2020, valuation are based on the results of the most recent actuarial experience study, which covered the three-year period ending June 30, 2019. The experience study report is dated May 13, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The Target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	34.0%	4.7%
U.S. Small Cap Equity	6.0%	5.8%
Int's Development Equity	23.0%	6.5%
Emerging Market Equity	5.0%	8.5%
Core Fixed Income	25.0%	0.5%
Long Term Treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
Total	100.0%	

The discount rate used to measure the total pension liability was 6.50% net of investment expenses for 2020. The projection of cash flows used to determine the discount rate assumed and that contributions from System members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

Sensitivity of the Net OPEB asset to changes in the discount rate -- The following presents the net OPEB asset of the System employer calculated using the discount rate of 6.50%, as well as what the employers' liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
Employer's Net OPEB Liability (asset) \$	(30,142) \$	(40,085) \$	(48,608) \$

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report of the OPERS; which can be located at www.ok.gov/OPERS.

**MCINTOSH COUNTY PUBLIC FACILITIES AUTHORITY
EUFAULA, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2021**

16. Restatement of Beginning Fund Balance:

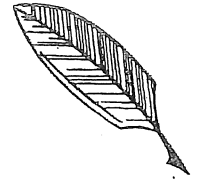
June 30, 2020 Net Position was restated as follows:

Beginning Net Position	\$	5,825,829
Reserve Fund used in advanced refunding	\$	(620,214)
Amounts in the Interest Principal Fund	\$	335,275
Amounts in the Note Principal Fund	\$	<u>62,825</u>
Net Position Restated	\$	<u><u>5,603,715</u></u>

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Trustees
McIntosh County Public Facilities Authority
Eufaula, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the McIntosh County Public Facilities Authority (The "Authority"), a component unit of the county of McIntosh, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued my report thereon dated May 3, 2023. My report includes explanatory paragraphs which emphasize the exclusion of the Management & Discussion and Analysis and Budgetary Comparison information.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kerry John Patten", with a stylized flourish extending to the right.

Kerry John Patten, C.P.A.
Broken Arrow, OK
May 3, 2023